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25X1C



SUDAN

I/NEA Contribution to

Project No. 45.3906

25X1A



6 June 1963

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**V. ECONOMY OF THE SUDAN**

**AI. NATURAL RESOURCES**

The primary economic resources of the Sudan are the Nile River and its branches, the White Nile and the Blue Nile, along with large areas of unexploited arable land. Forests, and to a far lesser degree, fish are also significant. The contribution of these factors is discussed in later sections.

Exploitable mineral resources are limited. An iron ore (magnetite) deposit along the Red Sea coast about 70 miles north of Port Sudan is expected to produce 500,000 tons annually after mine-site port facilities have been improved. Gold, manganese, salt, mica, limestone and gypsum are mined on a small scale, but their economic significance is slight. The land area is geologically unfavorable for oil accumulation, and offshore searches have thus far failed to locate oil in commercial quantities.

Domestic energy resources are extremely limited. The country has no commercial coal or oil deposits; wood, animal dung, and charcoal are the predominant fuels. Household use accounts for 75 percent of total energy consumption, and domestic firewood consumption in 1960 was estimated at about 27 million cubic yards. The relatively large hydroelectric potential is described in a following section.

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A2. INDUSTRY

The Sudanese manufacturing industry is in its infancy -- the 1960/61 contribution to GDP was only 2 percent -- but it is growing steadily. The heaviest concentration is in the Khartoum-Khartoum North-Omdurman triangle. Most of the plants in operation or in the planning stage have been approved by the government as part of its program to encourage the processing of local materials, especially the products of the agricultural sector. Local and foreign investment in industry is encouraged by various incentives; enterprises classed as "Approved" or "Pioneer" are entitled to exemptions and reductions of business profits tax and are free to repatriate profits and capital. Equitable compensation in the event of nationalization and equal treatment for foreign investment are also guaranteed.

A cement factory at Atbara produces a small exportable surplus which will be augmented by a second factory at Rabak in 1965. One large textile mill was opened in 1962, a Japanese mill is presently under construction, and others are planned. A government-owned sugar factory opened in 1962 with a potential annual output of 60,000 tons; when a second sugar factory has been completed at Khashm el Girba, all the Sudan's sugar requirements will be covered. One government-owned cardboard factory at Arusa began production in 1962 using local cotton stalks as raw material and a second is planned; one pharmaceutical plant is operating, as well as two refrigerator-

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assembling facilities, two granaries and several food processing plants.

Other large plants include a brewery and a leather tannery in Khartoum and a cigarette factory at Wad Medani.

The Shell/BP oil refinery near Port Sudan will be completed in 1964; with a capacity of 20,000 b/d, it will cover all local fuel needs. Two paper mills are under construction and additional new manufacturing operations are in the planning stage: fertilizer plants at Port Sudan and Roseires, an insecticide plant at Wad Medani, and factories to manufacture matches, asbestos cement sheets and pipes, tires, soap, pharmaceuticals, knitwear and building materials.

Net value added through manufacturing increased from \$6.3 million in 1955/56 to \$14.9 million in 1960/61. As can be seen from figures on the contribution of various industries to manufacturing output, the most rapid growth has taken place in the textile and paper sectors.

Percent of Manufacturing Output

	<u>1955/56</u>	<u>1960/61</u>
Food and Beverages	72	60
Textiles and Shoes	--	9
Furniture	3	2
Paper and Printing	3	10
Rubber and Chemicals	6	7
Building Materials	8	5
Metal Products, Machinery and Miscellaneous	<u>8</u>	<u>7</u>
	100	100

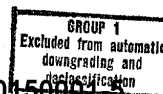
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A3. CONSTRUCTION

While the output of the building and construction sector of the economy rose from \$46.6 million in 1955/56 to \$69.3 million in 1961/62, the contribution to GDP remained almost fixed, at about 6 percent. The substantial post-independence investment in transport facilities, irrigation and industry has encouraged building contractors to make capital investments necessary to undertake the construction aspect of these projects.

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A4. ELECTRIC POWER

Electric power generating capacity has expanded rapidly since Sudan's independence, but power availability remains confined to a small portion of the populace. In 1958, the country had 36,000 kws. of installed capacity; completion of the Sennar hydroelectric project in late 1962 raised the installed capacity to 70,000 kws. There were about 50,000 electric power subscribers in a total population of approximately 12.2 million at the beginning of 1962, and about half these customers are on the Khartoum-Sennar axis.

Sudanese government studies indicate that the Nile could produce up to 2 million kws. of power, but keeping supply in step with demand in the near future presents serious difficulties. Additional projects along the Nile must await completion of dams to control seasonal fluctuations in water flow. In addition, hydroelectric projects are costly and must compete for funds with other development requirements. In the meantime, most power in the Sudan will continue to be generated by diesel and steam generators for which fuel must be imported.

Control of electricity is largely in the hands of the government -- the only major exception is a 7,400 kws. diesel power plant operated by the Sudanese American Textile industry in Khartoum north. Plants with installed capacity of at least 1,000 kws. are listed below:

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<u>Location</u>	<u>Type</u>	<u>Installed Capacity (kilowatts)</u>
Burri (Khartoum area)	Diesel	10,500
	Steam	30,000
Wad Medani	Diesel	2,240
Port Sudan	Diesel	3,195
South Town (Port Sudan)	Diesel	1,830
Sudan American Textile industry (Khartoum)	Diesel	7,400
Atbara	Diesel	4,680
Sennar	Hydroelectric	15,000

Overhead power transmission lines run from the Burri power system (Khartoum) to Sennar and from Sennar to Kosti, on the east bank of the White Nile.

#### A5. FISHERIES

Although fish abound in both the Nile and the Red Sea, fishing is not practiced on any large commercial scale in the Sudan. Lack of preserving facilities precludes significant shipment to interior areas or abroad, although a small quantity of sun-dried, salted Nile fish is exported to the Republic of the Congo (Leopoldville) and Egypt. At present, fish is an important food source only for the tribes living near the upper Nile drainage system, but commercial fishing offers good development potential and the government has expressed some interest in expanding this activity. A fish cannery in the Khartoum-Malakal region was included under the 1961 USSR aid agreement, but the project was temporarily discarded after an initial feasibility study.

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A6. FORESTRY

Forests cover 36 percent of Sudan's land area and constitute one of its major economic resources. Acacia trees in the northern and eastern areas annually provide 45-50,000 tons of gum arabic, or 80-90 percent of the world's supply. Gum arabic is the second largest export crop (after cotton) and the largest dollar earner. Mahogany, vuba and papyrus are also available in large quantities, but domestically produced lumber is sufficient for only about half of the country's requirements. Only a few thousand acres of forest land, out of a total of 226 million acres, are privately owned; the balance is owned by the government, which has recently established forest reserves and is making an effort at reforestation.

A7. AGRICULTURE

The Sudanese economy is based almost entirely upon agriculture. About 92 percent of the population depends on the land for a living, and between 90 and 95 percent of <sup>export</sup> sales are made up of agricultural products. At present, the bulk of the population is involved in neither the money economy nor the trading patterns. Subsistence farming is the rule in all but a small area in the northern half of the country, where the government is the chief promoter of large-scale modern commercial farms dependent on irrigation from the Nile and its tributaries. These irrigated lands, devoted chiefly to growing long-staple cotton, constitute 16 percent

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A number of government-managed irrigation projects are now underway in the Sudan:

The Gezira Irrigation Scheme has transformed the area between the Blue and White Niles south of Khartoum into good arable land, suitable for cotton, grain, and fodder. The total area including the recently completed Managil extension is over 1.8 million acres. Completion of the \$89 million Roseires Dam on the Blue Nile, due to be finished within a year by an Italian firm, will permit inauguration of the Kenana Scheme, another extension of the Gezira, which will eventually bring another 1.25 million acres into cultivation.

The Gezira project has a special tripartite character; cotton farmers are linked in equal partnership with the government and the managing Sudan Gezira Board. The government provides the land and is responsible for dam construction and maintenance; the Board is a public corporation which administers the scheme, makes loans to tenants and markets the produce. Cultivators keep all their food crops; net proceeds from cotton are divided 42 percent to the government, 42 percent to the tenants, 10 percent to the Board, and 6 percent to social services, a tenants reserve fund and local government councils. (Note: Fig. 14, p. 41, MIS 54, Ch. I, May 1962 illustrates the Gezira Scheme)

The Gash Delta Scheme encompasses about 75,000 acres on the Nahr-al-Gash river which are allocated to local tribes on a rent-free

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basis. Annual allocation depends on the water supply and usually results in 30-40,000 acres planted to cotton.

The Tawkar Delta Scheme covers an alluvial plain near the Red Sea along the Khawr Barakah river. Normally some 40,000 acres of cotton are planted in the 400,000 acre area; because the crop is frequently washed out by late floods, the tenants are allotted 70 percent of the cotton profits.

The White Nile Schemes were started as resettlement projects for farmers displaced by 1937 floods. A canal was extended from the Gezira to water 38,500 acres, and public and private pump schemes have extended the area along the river as far south as Kusti.

The Junayd Scheme, completed in 1956, is the largest pump project in Africa, irrigating over 30,000 acres of land on the east bank of the Blue Nile opposite the Gezira. It encompasses a government-constructed sugar refinery with a planned capacity of 60,000 tons per year.

The Jibal an Nubah Mountains Scheme in Kordofan Province encompasses about 200,000 acres of rain-grown cotton, largely of the short-staple varieties.

The Zande Scheme in the southwest corner of Equatoria Province is an experimental project designed to promote stabilization and welfare of the primitive Azande tribesmen of the area. In addition to cotton, products include coffee, tobacco, sorghum, peanuts, and sesame seed.

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Land is plentiful in the Sudan, but rainfed land tends to be low in fertility. Unlike many other countries in the area, there is no entrenched landlord class. Fair divisions of profits have been set in the government-run schemes and have been adopted generally.

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**B. EMPLOYMENT AND LABOR**

Out of Sudan's employable population of 8.2 million (1955/56 census), 46 percent are economically active. Of these, 87 percent work in the agricultural sector -- farming, livestock, and forestry. The large majority of persons employed in agriculture are subsistence farmers and pastoralists whose only economic objective is the basic sustenance needs of their families. This group has minimal interest in additional employment and is thus not normally available to meet labor demands of the commercial and industrial sector or demands from the cash economy and economic development programs.

According to the 1955/56 census, women accounted for less than 10 percent of the labor force; of these only 16.5 percent (47,000 persons) were ascribed to the money economy, primarily in domestic service.

Prior to 1960 the Sudan relied heavily on migrant labor from West Africa to relieve the severe labor shortage in the money sector. During 1960 and 1961, however, the government began organized recruitment of manual laborers from the south and agricultural workers from the western provinces. This program has been relatively successful in the case of the southerners, but the movement of western workers to the cultivated areas has not been satisfactory. The strong tribal system, numerous ethnic differences, and isolation of the subsistence areas are major obstacles to the country's efforts to make efficient use of its sparse labor potential.

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Unemployment is not a significant problem. On the contrary, the economy is characterized by labor shortages for almost all categories of monetary employment, and the small but sudden growth of industry already is placing a severe strain on the limited supply of skilled and semiskilled labor.

Of the 500,000 persons engaged in non-agricultural employment, less than 10 percent are normally enrolled in trade unions, not enough to constitute a major economic or political force. Rapid growth in the period 1949-58, from 5 to 112 registered unions, was halted by the military coup of November 1958. The suspension invoked at that time was lifted in 1960, but union revival has been under strict conditions limiting their power and effectiveness.

The only large union, the 20,000 member Sudan Railway Workers Union (SRWU) was again dissolved in mid-61, but continues as an informal organization and the only significant labor group in the country. The ability of the SRWU to cripple the sole means of fuel and commodity distribution is offset in large measure by lack of leadership and strike funds, as well as the demonstrated willingness of the government to use any available means to crush railway or port strikes.

All other unions are small, and the law prohibits industry-wide unions, national federations, and association with foreign labor organizations. Thus, growth of strong, influential unionism is unlikely in the short run.

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The Communists, who gained control of several unions during the first decade of union growth, suffered a major setback in 1955, losing leadership of the SNU. Communist involvement in a 1962 strike cost them more of their influence and current participation in the labor movement is at a low level. Nevertheless Communist infiltration remains a threat of which the government is aware.

The Sudan has no comprehensive social security system. A share of the annual profits of government-managed agricultural schemes is set aside for social welfare programs. Sick pay and pension arrangements are limited almost exclusively to civil service employees. Islamic law provides legal enforcement of traditional family responsibility and tends to insulate the government from pressures for welfare services.

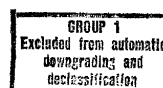
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C. Internal Trade & Barter

Sudanese economic activity and transportation facilities are centered around the Nile River system; the economic characteristics of the country vary greatly as between the Arab Moslem north and the pagan Negroid south. The money economy has little influence in the south, where hunting, fishing and subsistence agriculture are the prevailing occupations. The monetized sector of the economy is confined to the central rainfed belt and the river banks in the northern half of the country. The central and northern steppes and deserts support an extensive nomadic and pastoral economy. Floods, sandstorms and road inadequacy impede internal commodity shipments; domestic trade thus is confined largely to the northeast.

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**D. Foreign Trade**

Since the economy is predominantly agricultural, exports are almost entirely raw and semi-processed materials and imports are manufactures. The biggest single export is long-staple cotton, which usually accounts for about half the total. About one quarter of all imports are on government account.

**Foreign Trade****(million US dollars)**

	<u>Exports and Re-exports</u>	<u>Imports</u>	<u>Balance</u>
1957	140.4	194.1	-53.7
1958	124.6	170.9	-46.3
1959	191.6	164.0	+27.6
1960	182.1	182.9	- .8
1961	178.6	234.1	-55.5
Jan-June 1962	103.4	124.6	+21.2

The United Kingdom and India head the list of trading partners. The normal pattern is illustrated by figures on the percent distribution of 1961 trade with major partners:

	<u>Exports</u>	<u>Imports</u>
U.K.	19	27
India	10	10
Italy	9	5
West Germany	10	10
China	2	-
France	4	-
Egypt	5	7

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The Sudan normally follows a liberal trade policy, but import restrictions have been imposed on occasion -- in 1958, for example, when cotton exports were unusually low. Current restrictions apply only to locally manufactured or cultivated commodities.

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**E. Foreign Loans and Aid Programs**

Since achieving independence, the Sudan has received numerous long term loans and credits from foreign sources. Major loans total over \$250 million:

World Bank

\$39.0 million	Transport development
\$15.5 million	Managuil extension
\$39.5 million	Roseires dam & other projects

Development Loan Fund

\$10.0 million	Textile mill
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US/AID

\$30.6 million	Development assistance
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U.K.

\$11.2 million	Export credits
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West Germany

\$18.4 million	Roseires dam
\$18.0 million	Guneid sugar mill

Italy

\$11.5 million	Khashm El Girba dam
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Kuwait Development Fund

\$20.1 million	Railway modernization
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Yugoslavia

\$14.4 million	Paper plant
n.a.	Port reconstruction

USSR

\$22.2 million	Industrial development including granaries & food- processing plants
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The USSR line of credit, extended in July 1961, marks the beginning of Soviet assistance. The government is aware of the dangers of Bloc aid and

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apparently has channeled USSR assistance into non-sensitive areas as a deliberate policy.

As of the end of 1962, there were estimated to be 50 Bloc economic technicians in the Sudan. The number of Bloc academic scholarships for Sudanese students has grown steadily -- of the 295 scholarships extended since 1956, 77 were new in the academic year 1962/63. The number of scholarship students in non-Bloc universities is roughly double the Bloc total.

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F. Economic Growth and Development Plans

The Sudan, with 967,500 square miles, is the largest African country in area. Flowing north, the Nile river system provides water transport as well as vital irrigation. Commercial, governmental, transport, and military activities center on the Khartoum urban complex. Sudanese transportation and telecommunication systems are barely adequate for present needs and inadequate to support increased commercial and economic development.

Cotton is the major cash crop and principal source of foreign exchange in the Sudan, where 92% of the population is directly dependent on the land. Most cotton is grown by government-controlled irrigation projects, but other crops and livestock are privately owned. Short of fuel, power, and mineral resources, the Sudan has no heavy industry.

The Gross Domestic Product of the Sudan grew from \$8.6 million in 1955/56 to \$1,015 million by 1960/61. During this period the share of each sector has remained relatively stable. The 3 percent annual growth in the traditional (subsistence economy) sector has exceeded the population growth (2.8 percent) only slightly; the modern sector has had an average growth of about 6.5 percent. The resulting per capita increase has been about 2.5 percent.

In the past the Sudan has been able to increase GDP largely through its own resources, but growth has been retarded by lack of domestic capital resources. Domestic capital formation has been low; and the only institutional

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facilities that encourage private savings are commercial banks, cooperatives, and a postal savings system. However, the combination of low incomes and the still common custom of acquiring cattle, gold ornaments, and real estate would limit the level of private investment in productive enterprises even with a more elaborate institutional framework.

Despite increasing agricultural production and a recent growth in industry, the national income is still very low. A large percentage of the population lives at a subsistence level, and per capita GDP does not exceed \$80 per annum, placing the Sudan in the lower range of the low-income countries.

Economic development in the Sudan is further hampered by an overwhelming dependence on the export of long-staple cotton which accounts, on the average, for 50%-60% of total export earnings. Short-run deteriorations in cotton prices tend to be quickly followed by a fall in the level of private investment, while a longer term price depression can be expected to affect adversely the level of government investment.

The Sudanese central budget normally shows a surplus, although a bad cotton crop may cause a drop in government receipts and a consequent budget deficit. Anticipated revenues for 1962/63 total a little over \$175 million, from the following sources:

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Direct taxes	2 percent
Indirect taxes (duties & sugar monopoly)	47 percent
Fees for goods & services	14 percent
Participation in agricultural undertakings	18 percent
Interest & dividends	2 percent
Pension contributions	1 percent
Re-imbursements and inter- departmental services	12 percent
Other	<u>4 percent</u>
	100 percent

The development budget is financed by foreign loans and central budget surpluses -- the latter amounting to over \$25 million for 1962/63. The ten-year development plan announced in September 1962 aims at an annual expenditure of \$147 million in the period 1962-1972 and a total capital inflow of \$491 million from abroad. Of the \$1.5 billion expenditure in the ten-year period, \$818.5 million will be directed through the development budgets, \$149 million will be spent on repairs and replacements, and the remaining \$502 million will be private investment. The relative current importance of economic sectors, along with ten-year plan investment allocations, are shown below.

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## Sector Share in Output and Investment

	Contribution to GDP 1960/61	Planned Public Investment 1962/71	Planned Private Investment 1962/71
			(percent)
Agriculture, livestock, forestry & fishing	57	30	21
Transport, distribution, banking	15	22	17
Mining, manufacturing, public utilities	2	15	19
Building & construction	7		16
Crafts, services, rental income	11		27
Administration, social services and miscellaneous	3	33	
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**G. MONEY, BANKING, AND MEASURES**

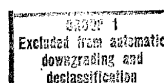
The monetary unit is the Sudanese pound (LS) divided into 100 piasters  
tarif (PT) and 1,000 milliemmes (m/ms). The official exchange rate is  
\$2.872/LS and the following denominations of currency are in circulation:

<u>Paper Bank Notes</u>	<u>Value in US Dollars</u>
LS 10	\$28.72
LS 5	14.36
LS 1	2.87
PT 50	1.44
PT 25	.72
<u>Coins</u>	
PT 10 (copper-nickel)	.28
PT 5 (copper-nickel)	.14
PT 2 (copper-nickel)	.05
m/ms 10 (bronze)	.003
m/ms 5 (bronze)	--
m/ms 2 (bronze)	--
m/ms 1 (bronze)	--

The only banks operating in the Sudan were foreign-owned -- chiefly  
British -- until the May 1959 opening of the government-owned Sudan  
Agricultural Bank. The Bank of the Sudan, with an authorized capital  
of LS 1.5 million, began operations as the country's central bank in  
February 1960 and has the sole right to issue currency. The government-  
owned Sudan Industrial Bank was inaugurated in November 1961.

The only private bank wholly-owned by Sudanese is the Sudan Commercial  
Bank, which opened in November 1960; in addition, 34 branches of foreign  
banks were operating as of April 1961.

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The Sudan is a de facto member of the sterling area; the government establishes an official fixed exchange for sterling and determines the rates for other currencies on the basis of the London market. Present regulations provide for bilateral trade with Egypt and the Sino-Soviet Bloc; all other countries are considered as convertible areas with payments and receipts permitted in any convertible currency. The administration of exchange control has been handled by the Bank of the Sudan since its inception.

The metric system of weights and measures generally prevails. There are, however, some exceptions in the agricultural sector:

<u>Sudanese Unit</u>	<u>Metric Equivalent</u>
1 Ardeb	198 litres
1 Kantar	44.93 kilograms
1 Oke	1.25 kilograms
1 Rotl	450 grams
1 Feddan	4200 square metres

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